

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 INT-08 DRC-01

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AMCONSUL THESSALONIKI

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E.O. 11652: N/A

TAGS: EGEN, EFIN, ETRD, GR

SUBJECT: MISCELLANEOUS ECONOMIC DEVELOPMENTS

REF: (A) ATHENS 5928; (B) ATHENS 5836

1. CURRENCY IN CIRCULATION - BANK OF GREECE HAS ANNOUNCED THAT AS OF AUGUST 15 CURRENCY IN CIRCULATION HAD RISEN TO 83.8 BILLION DRACHMAS, UP 15.5 BILLION DRACHMAS SINCE JULY 31. AS REPORTED REF A, INCREASE WAS 6.7 BILLION DRACHMAS DURING SECOND HALF OF JULY, FOR ENORMOUS TOTAL INCREASE OF 22.2 BILLION DRACHMAS (36 PERCENT) IN ONE FOUR WEEK PERIOD. BANK OF GREECE GOVERNOR PAPALIGOURAS HAS PUBLICLY STATED THAT PHENOMENON WILL NOT CAUSE PROBLEMS SINCE IT IS DUE TO ANOMALOUS CONDITIONS, AND THAT A VARIETY OF FACTORS WILL SERVE TO ABSORB AND OFFSET INCREASE-

INCLUDING SPECIAL PREPAYMENT OF TAXES, REFLOW OF DEPOSITS TO BANKS, COLLECTIONS BY AND DONATIONS TO GOVERNMENT AGENCIES. PAPALIGOURAS COMMENTED THAT INCREASE HAS HAD NO IMPACT

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ON DEMAND, WHICH REMAINS LOW EVEN FOR FOMDSTUFFS. COMMENT:

ALTHOUGH PAPALIGOURAS' MINIMIZATION OF IMPACT OF SUCH A LARGE-SCALE GROWTH OF CURRENCY IN CIRCULATION APPEARS VALID FOR PRESENT, FAILURE TO EFFECT RAPID REDUCTION RUNS RISK OF RE-STIMULATING INFLATIONARY PRESSURES WHICH BARELY BROUGHT UNDER CONTROL AFTER MORE THAN 8 MONTHS STRINGENT FISCAL AND MONETARY MEASURES.

2. PRICE STABILITY - MINISTER OF COMMERCE KANELLOPOULOS HAS ANNOUNCED ASSURANCES BY FEDERATION OF GREEK INDUSTRIALISTS AND COMMERCIAL ASSOCIATIONS TO MAKE EVERY EFFORT TO KEEP PRICES STABLE, AND WHERE POSSIBLE TO MAKE REDUCTIONS OF UP TO 10 PERCENT.

3. RELAXATION OF CREDIT RESTRICTIONS - BANK OF GREECE HAS ANNOUNCED ADDITIONAL LIBERALIZATION CREDIT POLICY IN LINE WITH GENERAL ECONOMIC PROGRAM REPORTED REF B. GRANTING OF LOANS BY COMMERCIAL BANKS ON BASIS OF SECURITIES (50 PERCENT OF VALUE) WHICH PROHIBITED SINCE DECEMBER 1972 WILL BE PERMITTED UP TO 2 MILLION DRACHMAS.

4. TEMPORARY BAN ON NEW BANK BRANCHES BEING CONSIDERED - CURRENCY COMMITTEE WILL EXAMINE IN NEAR FUTURE PROPOSAL TO BAN ESTABLISHMENT OF NEW BANK BRANCHES FOR ONE-YEAR PERIOD. RATIONALE CENTERS ON OPPOSITION TO DIVERSION CAPITAL FROM PRODUCTIVE CHANNELS INTO WHAT IS REGARDED AS UNNECESSARY PROLIFERATION BRANCH BANKING WITH ATTENDANT INCREASE IN OPERATING COSTS. ALTHOUGH DETAILS STILL UNDER WRAPS APPARENTLY WOULD AFFECT APPLICATIONS OF FOREIGN BANKS. CHEMICAL BANK AND BANKERS TRUST REPS HAVE CONFIDENTIALLY REVEALED TO EMBASSY THEIR BANKS' INTEREST IN ESTABLISHING HERE IN 1975.

5. GREEK-EC RELATIONS - PANHELLENIC EXPORTERS ASSOCIATION HAS INDICATED ITS SUPPORT FOR RAPID ACCOMPLISHMENT FULL MEMBERSHIP IN EC, AND PENDING FINALIZATION THIS OBJECTIVE CALLED FOR EXPANSION OF CURRENT STATUS TO PROVIDE ACCESS GREEK GOODS TO THREE NEW EC MEMBERS ON SAME BASIS AS TO ORIGINAL SIX.

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